

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6478

BILL NUMBER: SB 322

NOTE PREPARED: Jan 19, 2007

BILL AMENDED:

SUBJECT: Deferred Retirement Option Plan.

FIRST AUTHOR: Sen. Miller

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ___ GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill removes the deferred retirement option plan (DROP) expiration date for members of the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, or the 1953 Police Pension Fund who converted to the benefits and conditions of the 1977 Police Officers' and Firefighters' Pension and Disability Fund. It allows a converted member who: (1) entered the DROP after March 14, 2006; and (2) selected a DROP retirement date that was less than 36 months after the member's DROP entry date because of the DROP expiration date; to make a one-time, irrevocable selection of a new DROP retirement date that is not later than 36 months after the member's DROP entry date.

Effective Date: Upon passage; March 15, 2006 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: Removing the DROP sunset date is estimated to result in an increase in the present value of future benefits, at a 6% annual interest rate, of approximately \$2.89 M as of January 1, 2007.

Allowing a converted member, under certain conditions, to make a one-time irrevocable selection of a new DROP retirement date is estimated to cost about \$13,800 for each affected member.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the 1977 Police Officers'

and Firefighters' Pension and Disability Fund.

Local Agencies Affected: Units with members in the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, or the 1953 Police Pension Fund who converted to the benefits and conditions of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF and the Police and Fire Funds, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Present Value – The present value (sometimes called actuarial present value) of an amount or series of amounts payable or receivable in the future is their current worth after discounting each such amount at an assumed rate of interest and adjusting for the probability of its payment or receipt.